

Small Group Health Insurance Renewals

Executive Summary

December 2012

The following charts reflect the range of renewal increases in health insurance premiums received by small employers from data provided by the carriers. The first chart compares 4th quarter data only from year to year, for 2010, 2011 and 2012. The second chart shows a comparison by year between 2011 and 2012. The 1st, 2nd and 3rd quarters of 2011 are pre-PL 90 while the 4th quarter of 2011 and the 1st, 2nd, 3rd and 4th quarters of 2012 are all post-PL 90. The final chart gives a geographic comparison for 4th quarter 2012 renewals. This information is intended to illustrate some of the immediate impact of PL 90 on small group health premiums. PL 90 allows geographic rate adjustments to be made without the previous limit on the combined adjustments for age and area beginning with the October 2011 renewals.

Rate increases also vary significantly among different groups for reasons unrelated to PL 90. Employers whose circumstances change may see larger increases because of factors other than those associated with their geographic area. For instance, if a business downsizes, a larger group size adjustment may apply. A decrease from three to two employees can increase rates by 25% to 39% in addition to the “normal” increase.

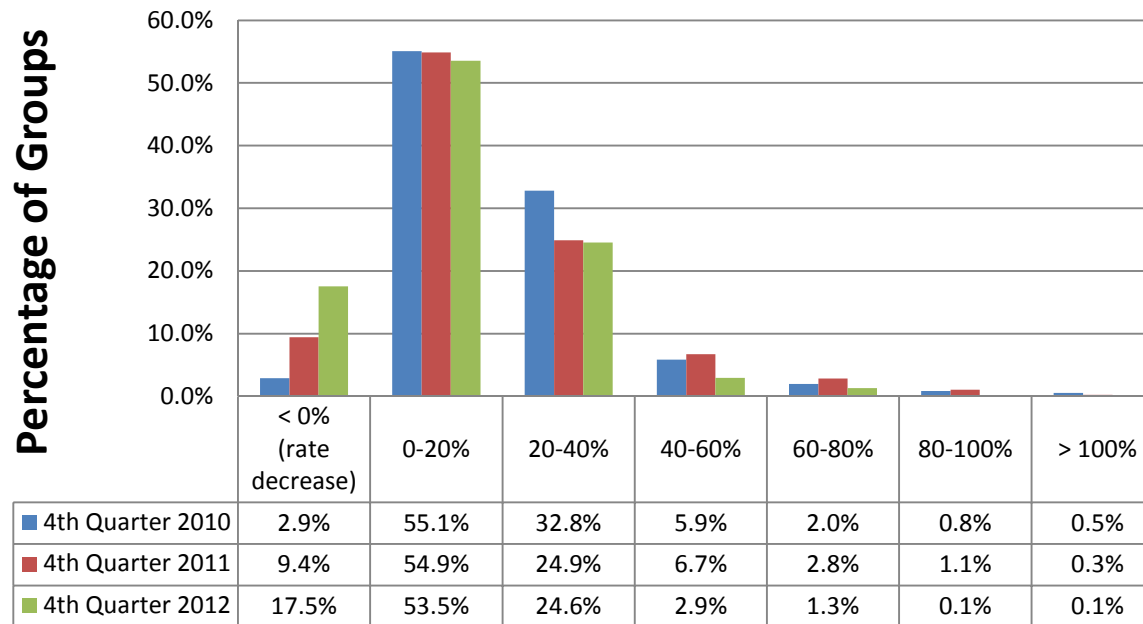
If a younger employee is replaced by an older one or if one or more employees age into a higher age band, the age factor will cause an increase.¹ Two or more of these events can combine to result in significant rate increases. Average base rate increases each quarter also vary for each carrier depending on the experience of the business and expected trends. We have attempted to gauge the impact of PL 90 by comparing the same quarter each year.

The annual and quarterly comparison charts both show a decrease in the aggregate number of small group renewals. From 2011 to 2012 the number of renewals declined by 540 groups, a total decrease of 6%. The same kind of trend is found in comparing just the 4th quarter renewals from year to year. Decreases in the aggregate number of renewals have been influenced, in part, by the loss of micro groups because membership losses have been skewed toward the micro groups. Significant increases combined with economic factors and changing group sizes have contributed to the decline in renewals.

For the most recent data available, 4th quarter 2012, the last chart shows some geographic differences in rate renewal increases received by small groups. The South and Central regions saw the greatest percentages of rate decreases (19.9% and 19.2%, respectively) while the West region had the greatest percentage of rate increases from 0-20%. Increases of 60% and greater were fairly similar among the geographic areas.

¹Effective for renewals beginning October 1, 2012, PL 638 requires rate factors due to age and group size combined to be limited to 2.5:1.

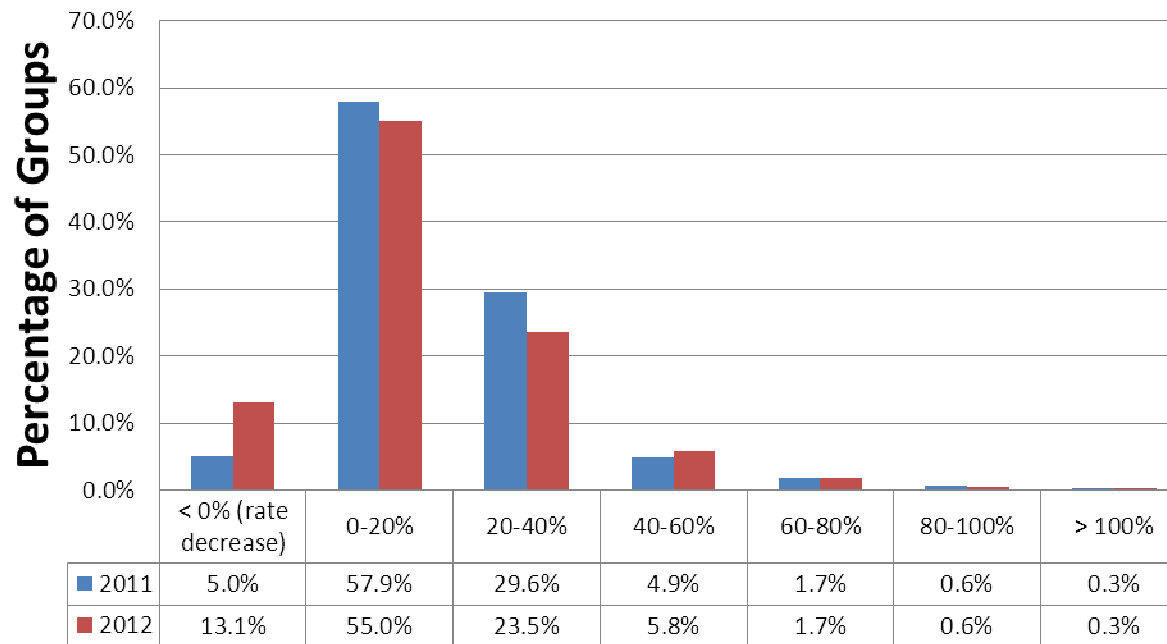
Percentage of Groups By Quarter in Each Rate Change Band Aetna, HPHC, and Anthem Combined



Aggregate Number of Groups By Quarter in Each Rate Change Band								
Size of rate increase:	< 0% (rate decrease)	0-20%	20-40%	40-60%	60-80%	80-100%	> 100%	Total
4th Quarter 2010	56	1062	633	113	38	16	10	1928
4th Quarter 2011	184	1074	487	131	55	21	5	1957
4th Quarter 2012	293	894	410	49	22	1	1	1670

- The percentage of rate decreases went up over the three 4th quarter comparison periods, from 2.9% in 2010 to 9.4% in 2011 and to 17.5% in 2012.
- The total number of 4th quarter small group renewals remained similar from 2010 to 2011, but dropped by 287 groups from 2011 to 2012.
- The 40-100% rate change bands all saw a slight increase from 2010 to 2011 followed by a slight decrease from 2011 to 2012.

Percentage of Groups By Year in Each Rate Change Band Aetna, HPHC, and Anthem Combined

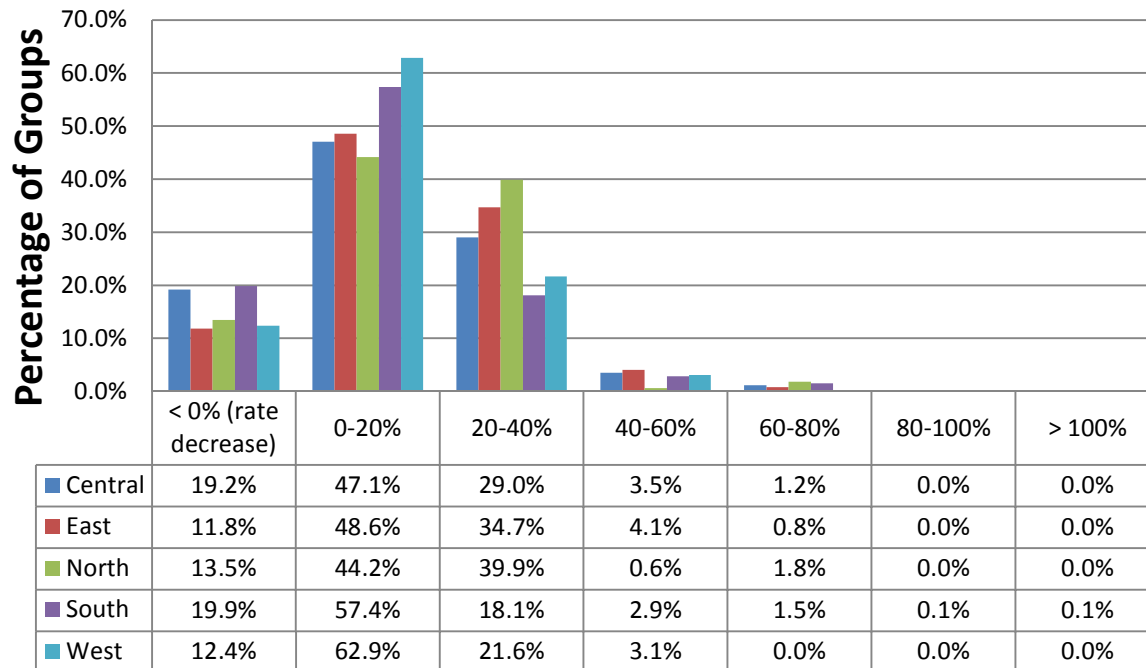


Aggregate Number of Groups By Year in Each Rate Change Band								
Size of rate increase:	< 0% (rate decrease)	0-20%	20-40%	40-60%	60-80%	80-100%	> 100%	Total
2011 ²	437	5097	2601	430	152	54	27	8798
2012	1082	4539	1942	478	144	46	27	8258

- Increases greater than 60% were similar during the two comparison periods.
- The percentage of rate decreases more than doubled from 2011 to 2012 (5% and 13.1%, respectively).
- The percentage of rate increases between 0-40% decreased slightly from 2011 to 2012 while increases from 40-60% increased slightly over the same period.

² 1st, 2nd and 3rd quarters of 2011 are pre-PL 90. 4th quarter 2011 and 1st, 2nd, 3rd and 4th quarters of 2012 are post-PL 90.

Percentage of Groups by Area in Each Rate Change Band - 4th Quarter 2012 Aetna, HPHC, and Anthem Combined



Counts by geographic area:

Size of rate increase:	< 0% (rate decrease)	0-20%	20-40%	40-60%	60-80%	80-100%	> 100%	Total
Central	49	120	74	9	3	0	0	255
East	29	119	85	10	2	0	0	245
North	22	72	65	1	3	0	0	163
South	181	522	165	26	14	1	1	910
West	12	61	21	3	0	0	0	97

Central	East	North	South	West
Androscoggin, Kennebec, Sagadahoc	Knox, Hancock, Lincoln, Waldo, Washington	Aroostook, Penobscot, Piscataquis	Cumberland, York	Franklin, Oxford, Somerset